

VZCZCXRO1947
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV
DE RUEHLO #2784/01 3081704
ZNR UUUUU ZZH
R 031704Z NOV 08
FM AMEMBASSY LONDON
TO RUEHC/SECSTATE WASHDC 0312
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHMO/AMEMBASSY MOSCOW 2745
RUEHOT/AMEMBASSY OTTAWA 1186
RUEHKO/AMEMBASSY TOKYO 1185
RUCNDT/USMISSION USUN NEW YORK 1300
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 002784

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [EFIN](#) [UK](#)

SUBJECT: FINANCIAL CRISIS AND UK DEVELOPMENT PRIORITIES

¶1. (U) Summary: Despite the economic crisis, HMG has no intention of cutting back on assistance and indeed, will move forward to increase funding, UK Development Secretary Douglas Alexander told Parliament on October 30. In response to a parliamentary inquiry, Alexander stated that he plans to push donors to fulfill their development pledges at the November 29 - December 2 Doha Financing for Development meeting and that he strongly supports the establishment of a Global Partnership to address food security issues. Expressing concern about the effects of the global crisis on developing countries, he called for the November 15 G-20 Finance Summit to also consider their needs. End Summary.

Holding Donors to Account

¶2. (U) HMG plans to make certain that donors deliver on the \$16 billion in new pledges made at the UN's MDG event in September, Development Secretary Douglas Alexander told Parliament's International Development Committee (IDC) on October 30. Alexander noted that countries' failure to fulfill their commitments will be obvious, since many pledges were specific and could be measured. Such pledges also included assistance from non-traditional donors, such as the \$500 million from Saudi Arabia for education and \$30 million from China for malaria.

¶3. (U) Skeptical IDC members stressed that pledges were not the same as delivering assistance and asked how would the Department for International Development (DFID) ensure the pledges are met when spending priorities are being shifted as a result of the global financial crisis. Alexander responded that during the September 2-4 Accra aid effectiveness meeting, the British Government, along with the European Commission, pushed for the U.S. and Japan to not only fulfill their pledges but to do more. He also said that at the Financing for Development (FfD) meeting November 29- December 2, he would press donors to reaffirm their commitments to development assistance.

¶4. (U) The UK is also pressing EU members to "concretize" the 0.56 percent of GDP by 2010 target into specific, measurable country allocations. To avoid HMG becoming the "financier of last resort," DFID is stressing the themes of "shared interest" and the "benign influence" of development as arguments for other donors to provide assistance.

¶5. (U) Regarding the commitments businesses made to support the MDGs as part of the Business Call to Action held in May and as part of the UN's MDG meeting in September, Alexander said he has received no indication from any of the 27 companies that they would reduce their pledges as a result of the financial crisis.

UK Spending on Aid will Increase

¶16. (U) Despite the UK's economic problems, DFID's planned real annual increase of 11 percent remains intact, and the UK will meet its assistance goal of 0.7 percent to GDP by 2013, as planned, said Alexander. Given the financial turmoil, DFID understands that domestic support for development assistance could wane; spending across-the-board will be scrutinized by voters, stated Alexander. DFID will conduct outreach, focusing on the message that development spending is an investment in a shared future that benefits recipient countries and the UK public, as well.

Financial Crisis Will Hit Developing Countries Hard

¶17. (U) As a result of the global economic crisis, DFID expects capital inflows to Africa to drop by 50 percent to \$25 billion a year, remittances to fall, and current average real GDP growth of 6.5 percent to slow to 4.5 percent. DFID is developing a matrix of the countries most vulnerable, Alexander said, but has not concluded the study.

¶18. (U) Alexander said the main challenge is to ensure the voice of poorer countries is considered when developing a global response to the financial crisis. He welcomed the inclusion of the G-20 at the November 15 Economic Summit in Washington, and called for that meeting to identify developing country needs. He added that DFID is actively feeding into the UK position for the Summit.

LONDON 00002784 002 OF 002

¶19. (U) Alexander also said he has spoken with the World Bank about filling in expected funding gaps, as a result of the crisis. DFID supports the International Finance Corporation's plan to help recapitalize banks. He also called on the World Bank to draw from existing reserves to double its current lending to \$27 billion to mitigate the impact of the financial crisis in developing countries, and praised Robert Zoellick's leadership at the World Bank.

Food Security

¶10. (U) Alexander praised the World Bank and World Food Program for responding quickly to the rise in food prices. Although prices for wheat, maize, and rice have fallen from their peak, they remain far higher than they were two years ago. Alexander highlighted new announcements of GBP 70 million for child livelihood programs in Bangladesh and GBP 42 million for food assistance in the Horn of Africa and noted that DFID has identified 30 priority countries to receive assistance with seed and fertilizer.

¶11. (U) Alexander also stated that he strongly supported the establishment of a Global Partnership on Agriculture and Food (GPAF), as G-8 members pledged at the Toyako Summit in July. He envisioned GPAF would include a broad range of partners, hold parties to account for delivering on commitments, use existing mechanisms for financing, support national regional plans (such as the Comprehensive African Agricultural Development Program - CAADP), and utilize the UN Comprehensive Framework for Action.

¶12. (SBU) Biographic Note: On several occasions Alexander drew examples from U.S. politicians to make his point. He highlighted former President Clinton's response to the question of why the Clinton Global Initiative should continue to provide funding during the financial crisis (U.S. popularity rising in southern Africa and the potential to use country-level positives to debunk the myth that "Africa" implies failed states). He also strongly praised PM Brown, crediting him with the UK's development successes. He said, "It is hard to overstate the credibility he (Brown) brings to

efforts to get others to do their share."

Visit London's Classified Website:

http://www.intelink.sgov.gov/wiki/Portal:Unit ed_Kingdom

TUTTLE